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## Hsü T. Hsin

## I. MODERN ENTERPRISES AND THE BUREAUCRATS

History writes very clearly that China's modern enterprises arose out of the pioneering of China's officials -- Tseng Kuo-fan, Tso Tsung-t'ang, Li Hung-chang, Chang Chih-tung, Sheng Hsuan-huai, Chang Chi-chih, and others opening arsenals, mines, steamship companies, railways, textile mills, etc. Sheng Hsuan-huai started steamships, railways, mining, and telegraphs; Chang Chih-tung started the Han-yang iron works and the Ping-hsiang coal mines; the Mo-ho gold mines and the Han-yeh-ping coal mines were started by Li Hung-chang and Sheng Hsuan-huai. The Pei-p'ing-Han-k'ou railway and the Hang-chow-Hank'ou railway and the China Merchants' Company were operated by Chang Chih-tung, Li Hung-chang, and Sheng Hsuan-huai. The capital for these enterprises was national, but they put a part of their own money into industry. For example, in 1891 Li Hung-chang established the Sun-chung paper mill in Shang-hai; in 1894 Sheng Hsuan-huai raised capital to the amount of 800,000 taels and established the Hua-sheng textile mill in Shang-hai, and in 1896 the Ta-tch oil mill; in 1898 Chang Chi-chih set up the Ta-sheng textile mill in Nant'ung, and in 1907 and 1922 set up branch mills in Tsung-ming and Hai-men; the Yen-ho glass works in Su-chien was established by Cheng in 1908.

Besides the few mentioned above, there were many officials who invested in modern industry and mining. In 1904 the governor of Shantung, Hu Ting-kan, established the Po-shan Glass Company at Po-shan, Shantung. In 1908 Hsiung Hsi-ling established the Li-ling Porcelain Company in Li-ling. In 1906 Cheng Hsiao-hsi established the Jih-hui Felt Works in Sheng-kai. In 1907 Tuan Fang, Viceroy of the Ling Kiang Provinces (Kiangsu and Kiangsi), established the

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Kiangsi Pottery Company in Po-yang. Li Yuan-hung invested in the Chung-hsing Coal Company at I Hsien, Shantung (this company was originally Sino-German; in 1906 it was changed to Chinese capital; after the Republic began, Li Yuan-hung invested capital and enlarged it, and it became the largest coal-mining company) and in the Lu-feng textile mill in Chi-nan. Chou Hsueh-hsi set up the Hua-hsin textile mills in T'ien-ching (1918), Ch'ing-tao, Wei-lui, and T'ang-shan (1922). During World War I, Li Ssu-chung set up mills in T'ien-ching. The above examples show that in the origin and accumulation of Chinese industrial capital, bureaucratic capital is an important source, it also proves that in the last hundred years Chinese officials have already begun to invest in modern industry a portion of the money they scraped from the ground. They did not spend all their strength on buying land and collecting rent! This did not exist before the Opium War.

In this miscellaneous list of bureaucratic capitalists, there are several typical persons whom we must notice. These are Sheng Hsuan-huai, Chang Chih-chih, and the communications clique men, Liang Shin-yi and Yeh Kung-cho.

## II. SHENG HSUAN-HUAI

In the last days of the Manchus, Sheng Hsuan-huai was not indeed one of the top officials; above him were Tseng Kuo-fan, Tso Tsung-t'ang, Li Hung-chang, Chang Chih-tung, and others. These military officials who had reached the top ranks through killing the people also had managed new-type industries that were connected with the Manchu Empire. Li Hung-chang and Chang Chih-tung were the more prominent. These two men had a hand in promoting everything from munitions and smelting to paper-making and textiles. In 1862 Li Hung-chang set up a gun factory in Shang-hai. In 1864, along with Tseng Kuo-fan, he recommended the setting up of the Kiang-nan Arsenal in Shang-hai. In 1882 they recommended setting up a weaving mill in Shang-hai. In 1891 the Lun-chang paper mill was set up in Shang-hai. As to Chang Chih-tung, in 1886 he raised 40,000 taels for setting up a silk filature in Canton; in 1890 he opened the Han-yang iron works and the Ta-yeh iron mines; in 1893 he set up in Wu-chang four factories, weaving, spinning, flax-making, and silk reeling; in 1908 he recommended setting up a felt works in Wu-chang. Li and Chang are well worthy of mention in the history of modern Chinese economy; but as to their personal wealth, they put too little into industry. Li Hung-chang put money only into the Lun-chang paper mill; Chang Chih-tung used government capital almost exclusively in his industrial activities. Most of their personal funds were still spent in buying property. This Ho-fei Li Hung-chang -- fatterer on nature's resources -- had endless rich lands between Ho-fei and Hain-yang; Chang did not put his money into industry, but his possessions were in land. It is even less necessary to speak of such men as Tseng and Tao. Buying land and exploiting peasants was clearly enough their lifeblood!

Sheng Hsuan-huai was likewise an official at the close of the Manchu regime. He bought land and drew large rent -- this was of course the way he had to take. However, besides this, he had a special feature in regard to new-type economic activity which was lacking in Li Hung-chang and Chang Chih-tung. That is, he not only started new-type industry but also new-type transportation; and not only these but also a new-type financial institution -- the bank. After Sheng became customs chief at T'ien-ching, he put his finger into industrial activities. The Hua-sheng textile mill was started at this time. After this he held such post as Minister of Commerce, Minister of Posts, etc., and

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managed the Hay-yeh-ping iron works and the Ping-hsing coal mines. He and Li Hung-chang managed the Pei-p'ing--Kien-k'ou and Kuang-chou--Kien-k'ou Railways, and in 1872 he, with Li Hung-chang and others, managed the China Merchants' Company. (The accuracy of the statements and dates in the preceding sentence is questionable.) This company was the first modern water transport company. China's first native new-type bank, the Chinese Commercial Bank (founded in 1897 at Shanghai), was also established by Sheng Hsuan-huai. Sheng borrowed one million taels from the Ministry of Finance and started it on the plan of the Hong Kong and Shanghai Banking Corporation by selling shares. This was merely a private commercial bank. Eight years later the Ministry of Finance Bank (now the Bank of China), official in character, was launched in Pei-p'ing (Peking).

The scope of Sheng Hsuan-huai's new-type enterprises was larger than those of Li Hung-chang and Chang Chih-tung. Successively he dipped his fingers into industry, transportation, light industry, then heavy, new-type enterprises and new-type banking. He used his political position to open these official enterprises, and also to start his own private ventures. His bureaucratic capital carried more "foreign flavor" than those of Li and Chang. He was a pattern for modern bureaucratic capital; but here we must point out that Sheng Hsuan-huai did not in industry or transport build up a group characterized by a spirit of concentration, nor did he link finance closely with industry and transport. Looking at his capitalistic activities, the China Commercial Bank was his chief base, and a wide buying of agricultural and urban land was another base (land along Yu-yuen Road in Shanghai still belongs to his estate). As to his industrial investments, outside of the Hua-sheng textile mill, they were very minute. China's banks rendered service to imperialistic economic aggression, and wide ownership of land is in its nature worse than the economic exploitation of farmers. So in the person of this typical bureaucratic capitalist we can sense its complicity and feudal character!

### III. CHANG CHI-CHIH

The foundation of Chang Chi-chih's business was the Ta-sheng textile mill and the T'ung-hai Plantation Company. The Ta-sheng mill was started at Nan-t'ing in 1896. The second mill was started in the neighboring helen of Tsung-ming in 1907, and the third in the nearby helen of Hai-men in 1919. In 1924 a branch of the first mill was set up in Nan-t'ung. When the first mill was established it had more than 20,000 spindles; it grew year by year until the second was established in 1907, the two together having more than 66,000 spindles all told. After the third mill was set up in 1920 the three mills had more than 96,000 spindles. On the eve of the war of resistance, in 1937, the Ta-sheng was a weaving company of more than 120,000 spindles. The chief work of the T'ung-hai Plantation Company was the opening of salt wasteland along the T'ung-hai coast to the cultivation of cotton in order to supply raw materials. This company was organized in 1900. After 10 years, 95 percent of the steadykes were completed and more than 30 percent of the land was under cultivation. According to Chang's own report, a capital of 20 yuan was needed for each mou opened up, but after the opening the price per mou reached 50 to 70 yuan. Chang Chi-chih's enterprises were not limited to the Ta-sheng and T'ung-hai companies. He operated flour mills, the Lu-szu Salt Company, a fishing company, the Chinkiang Pencil Company, a smelter, the Shang-hai Te-te Steamer Company, T'ien-sheng Steamer Company, K'ai-Yao Glass Company, I-sheng Distillery, Ta-yu-chin Salt-land-Development Company, T'ien-sheng orchards, Hua-sheng Salt Company, Hui-hai Bank, Hsin-nan Company, etc. Chang Chi-chih was many-sided

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in his enterprises; he devoted himself not only to textile and flour mills, but also to farming and fishing; not only did he engage in light industry, but also in heavy. He also organized transportation and new-type banks. In his basic projects he formed organic connections. Thus, when the Ta-sheng needed cotton, the Tung-hai made it its business to raise cotton for the supply of raw materials. Other enterprises centered around these two projects. Here we can see that Chang Chi-chih's enterprises had a centralized character!

Chang Chi-chih's enterprises began from his social position (Chuang-yuan, highest literary graduate) and not from political power. When he started the Ta-sheng mill, his office was "head-master of the Wen-chen School." He himself had no capital, he was not a shareholder. Later, as his enterprises grew, he gradually gained capital. After the 1911 Revolution he acted as Minister of Industry, Commerce, and Agriculture. This official position of course gave him no little convenience for his enterprises; but his accomplishments were chiefly from economics into politics, not the reverse. This is Chang Chi-chih's special characteristic in the history of modern bureaucratic capitalism in China.

#### IV. COMMUNICATIONS CLIQUE

Liang Shih-i and Yeh Kung-cho represent the communications clique. In 1911 Liang Shih-i became Minister of Posts. He was the central figure in the communications clique. When Yuan Shih-k'ai was trying to seize the throne, this god of wealth, Liang, spent no little energy. After Yuan died, Liang as the archconspirator for the monarchy was arrested and died in exile. Yeh Kung-cho joined with Tsao Ju-lin and Lu Chung-yu to form a new communications clique. The clique was made up entirely of officials and those who had charge of foreign loans. The base of their activities was the Bank of Communications because this bank during the period of the Pei-ching government was under the Ministry of Communications; and the Ministry of Communications was the great business of the communications clique. Thus it came about that the Bank of Communications was the chief economic base of these officials. Liang and Yeh and company also had the New China Savings Bank and the Five Races Commercial Bank. The former was founded in 1914 with a capital of 5 million yuan. The latter was also established in the first years of the Republic, without any large amount of capital. The reason the banks were looked at askance was that the communications clique took advantage of its political position. The old communications clique was a running dog of Yuan Shih-k'ai, the new one was a stooge of Tuan Ch'i-jui. They used their special position to manage loans and hypothecate national debts. In the first years of the Republic, among the railway loans of the Ministry of Communications, not a small part was handled by the communications clique. In the eighth year of the Republic (1919) the Japanese 300-million-yuan loans handled by the communications clique were also bitterly censured by our people.

In the modern history of China the communications clique opened for bureaucratic capital a new pathway for handling and speculating with national debts, using political position and directly seizing government financial agencies. At the same time they used the nation's financial resources to nourish their privately established banks. These features were lacking in Li Hung-chang, Chang Chih-tung, Sheng Hsuan-huai and Chang Chi-chih. However, this very discreditable, hateful habit has been "extended" by the four great clans of the Kuomintang.

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In China, before the people took the reins of government, the imperialist powers increased their strength from year to year, while feudalism strove ceaselessly to rekindle its dead ashes. China's bureaucratic capitalism grew apace under these conditions. The political scene was changing; the old warlords had disappeared, the new militarists arose to take their place. This "green out of blue," "later and stronger" bureaucratic capitalism is the four large Kuomintang clans who have ruled China for 20 years. Let the reader look at the facts.

#### V. THE FOUR GREAT CLANS OF THE KUOMINTANG

Mr Ch'en Han-sheng in his famous Monopoly and Civil War in China considers the President as the fifth group. Looked at factually, it is not very appropriate to put this Generalissimo's group in the fifth place. The four great clans count him as leader, as center: "All land in the Empire belongs to the King"; why does he sit in the fifth armchair instead of the first? In matters of finance the four banks -- Central Bank, Bank of China, Bank of Communications, Farmers' Bank -- and the two agencies -- Central Trust, and Postal Exchange -- obey his orders, and the central clearinghouse of the four banks has him for chairman... The chairman controls all matters. The Ministry of Finance gives power to the chairman of the board of directors of the clearinghouse and in unusual times he can make suitable arrangements for the four banks and act for them. Does not the statement, "The Ministry of Finance gives power" mean, after all, one's giving power to oneself? In industry, the more than 40 arsenals of the Munitions Board are directly controlled by him. He further controls the 60 or 70 mines and factories of the Resources Commission (in wartime 116 units), the Highway Bureau, and the China Merchants' Company of the Board of Communications. His strings can direct everything; his expenditures are unbudgeted. Whatever or how much is wanted is granted. The annual budgets are a laughingstock among the people. His "urgent orders" can make the amounts in the budget become appendages to the real expenditures. Acting under these maxims of "Public and private the same" and "Count the nation as your family," how does he not become suddenly rich?

For the sake of face, naturally he cannot publicly invest everywhere as he does in the Commercial Press and Chung Hua Book Company; nor can he, like H. H. K'ung, T. V. Soong, and the two Ch'ens, actively, openly act as chairman of directors of this or that bank or firm. His method is to work through his henchmen. His wife is a helpmate that understands business; she operates the Sino-American Industrial Company with the American reserve soldier Chennault; she directly controls the Central Trust Company. Also, her brother-in-law and older sister handle vast properties for her; her nephews are always working for her in such matters. Therefore, among the banks, factories, and money shops operated by the K'ungs, Soongs and Ch'ens, a portion belongs to him; so his wealth includes "shares" in the national banks and also foreign shares, gold, and land. He not only exploits Chinese peasants and laborers, but also invades distant South America, exploiting peasants and laborers on rubber plantations, grazing lands, and tanneries on both banks of the Amazon.

Though this gentleman was born in a salt merchant's home, though he was a clerk in a Shanghai stock exchange, though he made some money in salt and in investments, yet if you compare that bit of money with his present riches, the former will seem too small to mention. This incalculable, incomparable wealth, where did it come from? Does it not depend on his plundering, on his considering "Public and private the same," and "Counting public as private"? He is the head of the four great clans; without him the K'ungs, Soongs, and Ch'ens could not exist. So, in the government, K'ung, Soong and the two Ch'ens are his four limbs; in economics, K'ung, Soong, and the two Ch'ens are his branch banks and stores. This is the reason why we rarely see this gentleman's investments on the surface.

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The second group is the Soong families of T. V., T. L., T. A., and other Soongs. The Soong family originally had no wealth; its riches suddenly expanded after T. V. Soong became Minister of Finance. Soong was the first governor of the Central Bank (from 1928 to 1932); he first started the bad custom of "counting the bank as the family." Because of "concurrent duties but not concurrent salary," he was nominally not on the payroll of the Central Bank, so he wanted the bank to pay all his household expenses. Every month the Soong family spent as much as they pleased. In 1932 H. H. K'ung became governor of the Central Bank, while Soong became chairman of the directors of the Bank of China. In January 1944 this position was taken from T. V. Soong by old K'ung; but in reality the Bank was still the financial base for the Soong clique. Besides controlling the Government Bank of China (he also held a large amount of "shares" in this bank), he also invested in the New China Bank, the Kwangtung Bank, the China Native Products Bank, the China Insurance Company, the China Reconstruction Silver Company, and the Shang-hai Bank. Among these, the Soong family had very large holdings in the Kwangtung Bank. This bank can almost be described as his possession. The China Native Products Bank is a joint investment of the K'ung and Soong families. Of course, that great man who cannot show his face also placed large capital in this bank. If not, why could this private bank obtain in the postwar period the right to buy gold for the government?

In commerce, the Soong family has vast activities of national scope. In 1936 Soong organized the China Cotton Company and became chairman of its directors. This company's capital was originally 500,000 yuan; in the spring of 1937 it became 2 million yuan; in May of that year it increased to 10 million yuan. As to operations, this company in 1936 did more than 13 million yuan worth of cotton trading; it sold about 5 million yuan worth of yarn and cloth, and did more than 3 million yuan worth of other business -- a total of more than 20 million yuan.

Again, the Hua-nan Rice Company of which T. V. Soong was chairman was organized in April 1937, with a capital of 10 million yuan. This was a great organization monopolizing imported rice. At the same time, the United Native Products Company organized in April 1937 was also under Soong family control (T. L. Soong was a director). This was a trading concern that aimed to monopolize all native goods in the nation -- from modern products and handicraft goods down to raw materials. During the war, the Soong family put money into the Chungking China Native Products Company, the Szechwan Animal Products Company, the Hsi-ning Industrial Company, etc., and were big shareholders in these firms. After the war, the Soong family established in Shang-hai the China Import-Export Trading Company, the Chin-shan Trading Company, and the Li-t'ai Trading Company. The China Import-Export Trading Company was in the name of T. L. Soong. These three concerns were among the nation's few top-flight trading companies.

As to industry, the Soong family arranged to have the Bank of China control the Yu-feng textile mill in Cheng-chou, the Jan-feng mill in Chi-nan, the Yuenan mill in Kun-ming, the Heng-chung Textile Company, the Ch'eng-an Textile Company, the Hsing-yung Industrial Stock Company, Limited of Kentsu. They also arranged for the China Cotton Company to lease and operate the new Heng-feng Chung Chi textile firm in Shang-hai. They invested directly in the Yang-tzu Electric Company, Hwai-nan Mining and Transportation Company, Han-k'ou Chi-chi Hydro-electric Company, China Automobile Manufacturing Company, Nan-yang Brothers Tobacco Company, Hsieh-ho Drug Manufacturing Company, and the China Woolen Company. The last two were begun in Ch'ung-ching during the war. The China Woolen Company was jointly capitalized by the K'ung and Soong families, with

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the match king Liu Hung-sheng as nominal head. The China Automobile Manufacturing Company began in Hong Kong, on a large scale. When the Japanese occupied Hong Kong, a large part of the machinery and equipment was destroyed. When the war was over Soong again, by use of his political position, gained control of the China Textile Reconstruction Corporation, and also arranged for the National Resources Commission to take over eight big companies in North China -- the North Hopei Electric Company, North China Iron and Steel Company, North China Cement Company, T'ien-ching Machine Shops, T'ien-ching Car [railroad?] Factory (former enemy property which was called Ch'ang-ho Car Factory), T'ien-ching Chemical Company, T'ien-ching Paper Company, and the T'ien-ching branch of the Central Electric Works. As to mines, Soong bought several mine areas around Hsiang-tan in Hunan.

During the war T. L. Soong started the Southwest Transportation Company, which was the first private transport company outside of the Highway Transport Administration of the Ministry of Communications. This company afterwards became the Southwest Import and Export Bureau under the Military Affairs Commission. Such a reorganization did not lessen the Soong family's power in this company; on the contrary because of using government funds, its capital strength and scope were increased. The China Merchants' Company also came under direct control of the Soong family.

Soong's economic activities became incomparably compradorish. The great part of his wealth was stored in foreign countries, in gold, US dollars, or US securities. A large portion of the capital of most of those companies and factories in China with which he was concerned was changed into US dollars. He ordinarily read, wrote, and spoke English -- all Chinese documents would have to be translated into English before he would look at them. Actually, he was just an American with a yellow skin! In American society, he was a plutocrat revered by the gold worshippers.

The third group is the K'ung family of K'ung Hsiang-hai. The K'ung family were local rich men. K'ung's grandfather operated a money shop under the name Chih-sheng-hsin. This money shop later was reorganized by H. H. K'ung as the "Shansi Yu-hua Bank." K'ung also opened a shop in T'ien-ching known as Hsiang-chi, which specialized in cloth, dyes, coal oil, etc. There were branches in the interior and in the big ports, such as Shang-hai and Ch'ung-ching. Besides, there were seven or eight large commercial firms. The names of these firms all began with the word "Kunag" (brood); the "Kuang Mao Hsing" in Ch'ung-ching is an example. Other stores were scattered over Hupeh, Kwangtung, and Chekiang. We hear that all these were originally pawnshops owned by K'ung. But while K'ung was rich to begin with, his greater wealth clearly was obtained after he took public office. Some say he got office because of his wife and that he gained wealth because of his official position. While that is said in ridicule, it is not wholly baseless!

When K'ung was president of the Executive Yuan, he directly controlled three banks -- the Central Bank, the Bank of China, the Farmers' Bank, and also the Central Trust Company. He really controlled two-thirds of the four government-owned banks and two companies. To men's horror he became "leader of leaders in the world of wealth." K'ung has become world-famous in treating the Central Bank on the principle, "The bank is my family." All K'ung's expenses -- even, it is said, the beef eaten by his dog -- are taken care of by the Central Bank. Besides the three banks and one company, K'ung also arranged to take control of the Fu-hsing, Fu-hua, and China Tea companies. He also arranged to have the Farmers' Bank take over the Fu-sheng money shop of the Farm Bureau.

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K'ung's wartime commercial organization in the interior included, besides the Ch'ung-ching Hsiang-chi Company, the Ch'ing-chi Yarn Company, the Ch'iang-hua Company, the Ta-yuan Company, and the Heng-i-sheng. The Hsiang-chi Company in Ch'ung-ch'ing had more than 30 trucks of its own which brought goods from the southwestern border into the interior. This was K'ung's economic nucleus in the interior. The Ch'ing-chi Yarn Company controlled the interior cotton-yarn market; its capital could match that of the Fu-cheng money shop. K'ung, on the one hand, grasped the "public" Fu-cheng money shop; on the other hand, he had his own Ch'ing-chi Yarn Company, so he tapped the sources right and left. The Ch'iang-hua Company also engaged in transport and in import-export trade. The Ta-yuan Company handled metal electric goods and traded in automobiles. The Heng-i-sheng became famous throughout the interior for foreign goods; it had stores in Shanghai and Chungking. In transportation, K'ung owned the Continental Transport Company. Besides being sole proprietor of the Yü-hua Bank, K'ung owned shares in the Ch'ien-t'ai-yü and Fu-yü banks. K'ung had interests in the China Industrial Company, China Drug Manufacturing Company, San-tsai-shang Coal-Mine Company, Yü-hua textile mills, Hua-fu Tobacco Company, the China Machine Company controlled by the Kweichow Enterprise Company, the Industrial Company in Hunan, the Rural Irrigation Company, and others. Not long after the war, the China Hsing-yeh Company closed its doors; the San-tsai-shang Coal-Mine Company also disbanded and merged with "T'ien-fu" [coal mine]. These were by no means evidences of K'ung's decrease of wealth; needless to say they were the result of K'ung's concentrating his capital in Shanghai to carry on the purchasing-agent business!

After the war, K'ung took pains to remove his capital to Shanghai. In Shanghai he organized the Yang-tzu Development Corporation and the Ch'ang-chiang Company; and with Soeng and the son of Yü Ya-ching he operated the Fou-chung Company. The chairman of directors of the Yang-tzu Company is K'ung's son, K'ung Ling-k'ai; its capital is 500 million US dollars. This company has already made selling-agency agreements with 16 American manufacturers. The Ch'ang-chiang Company also handles grain and farm products; of course it will not let go of foreign goods. As to finance, K'ung moved the main office of the Yü-hua Bank to Shanghai. In cultural affairs, K'ung revived the English-language China Press, moved the New China Times from Ch'ung-ch'ing to Shanghai.

When K'ung was in Ch'ung-ch'ing there was a concentrated organization, the Joint Office of the Four Government Banks, which was controlled by two women. This office had as its center the Yü-hua Bank, and united the Hsiang-chi, Huang-mei-hsing, and Heng-i-sheng firms in a common plan of action. This fact is well-known by all older residents of Ch'ung-ch'ing. In Shanghai, it was on a still larger scale. The Yü-hua Bank was still the center; the Yang-tzu Company, the Ch'ang-chiang Company and the Heng-i-sheng, Fou-chung, and others were of course its satellites. This is a good example of the union of bank and industrial capital.

Compared with T. V. Soeng, K'ung's "local wealthy" flavor is somewhat stronger. In fact, K'ung comes of stock formerly engaged in capitalistic activities. Ch'ing-ch'ing-hsin was a money shop, and a money shop was a feudal financial institution. The Hsiang-chi of the T'ien-ching stage was commercial capital of the former capitalism. K'ung has large land-holdings in Shanai. He also owns large parcels of land on both banks of the Amazon River in South America. Whether they are Chinese or South American peasants, it is all right; they are all alike when they are feudally exploited. However, K'ung's feudal character is not absolute and unique; as it develops it must become more commercial. Was not Hsiang-chi of the T'ien-ching period engaged in dyes, cloth, and coal oil? The most important dyes and coal oil are imported from foreign countries; and even cloth, is that even entirely native? The more his merchant activities grew, the more he became an agent for imperialism. The Yang-tzu and Ch'ang-chiang companies which were established in Shanghai after the war even more brazenly monopolize the commerce





The fourth group is the CC clique led by Ch'ien Kuo-fu and Ch'ien Li-fu. The two Ch'ien are nephews of Ch'ien Ch'i-mei, and sons of Ch'ien Ch'i-yeh. The Ch'ien family was at first head of the Ku-chow group. A Japanese, Nagano Akira, in his History of the Growth of Capitalism in China says: "China's great financiers and industrialists are mostly officials, such as the chief tycoon of Chekiang, Ch'ien Ch'i-mei, the central figure of Kwangtung zaibatsu, Tang Shao-i; also Li Yuan-hung, Chang Ch'ien, and others." The Ch'ien family of Ch'ien Ch'i-mei, we hear, originally engaged in the silk and pawnshop business. The former was a great economic business which exploited the peasants, and pawnshops still more greedily sucked the blood of the poverty-stricken masses. Before the Kuomintang came to power, Ch'ien Kuo-fu was pawnshop manager for nearly 10 years. The two Ch'ien, coming from a home that became rich by great exploitation of peasants, of course want to maintain such a blood-sucking system and drain the last drop of blood.

Of the four government-owned banks and two companies the CC held two banks and one company: the Bank of Communications and Farmers' Bank and the Postal Savings and Remittance Institution. The Bank of Communications was at first under the control of Ch'ien Hsin-chih, who was close to the political science clique. In 1942, because of the question of the four banks becoming monopolies, Ch'ien, in order to counter old K'ung, drew together the CC to strengthen his own position. As a result, the high lieutenant of the Ch'iens, Chao Tai-ma, entered the Bank of Communications and became manager. After Chao Tai-ma went in, T'ung Heng-chen, Hou Hou-p'ai, and Sun Fu-san successively got in. In 1944, Ch'ien Kuo-fu got on the board as a director, and CC influence in the Bank of Communications increased. Under Chao Tai-ma's protection, Ch'ien Hsin-chih became completely an "Emperor Chou".

The China Farmers' Bank was at first the Farmers' Bank of Honan, Hupeh, Anhwei, and Kiangsi (founded in 1923), then reorganized (in 1935). This was a financial institution set up in the civil war territory for the purpose of directly holding down the peasants. As soon as this bank opened, the CC clique seized control. At first H. H. K'ung had been chairman of directors, then President Chiang held this office for a time, and K'ung took it again. In the spring of 1946, Ch'en Kuo-fu seized the chairmanship from K'ung. The CC are powerfully entrenched in the China Farmers' Bank. Before Ch'en Kuo-fu became a director, Wu Chien-ts'ang and Hsi Chi-chuang had already built a strong "foundation." In the Bank of Communications, Chao Tai-hua was still envious of Ch'ien Hsin-shih; in the Farmers' Bank the CC clique was a whip. The head of the Postal Savings and Remittance, Hsi Chi-chuang, was close to the CC. Many of the financial activities of the CC were serviced by or handled through him. In the four government-owned banks and two companies, CC strength controlled about one half. Among private banks, the Industrial and Mining Bank had some money invested by the two Ch'ens.

The two Ch'ians used the Farmers' Bank to advantage. They arranged that this bank should directly operate the Farm Enterprise Company, Fertilizer Company, Farm Tools Company, Farm Machinery Company, Farm Insurance Company, and the China Forestry Company. Operated in connection with provinces were the Sinkiang Land Development Company, the Kwangai Irrigation and Development Company, the Chekiang Land Development Company, etc. The Central Joint Treasury, one third of whose capital comes from the Farmers' Bank, is in CC hands. The chairman of directors of the Central Joint Treasury also is Ch'ien Kuo-fu. Chao Tai-hua, Chang Shan-sheng, and other CC staff members take turns in supervising. By means of connections with the Central Joint Treasury, the CC control nearly 500 provincial and haim joint treasuries. In addition, during the war there was established in the interior the So-ma Company and the West China Reconstruction Company, etc., which also were organizations operated by the Ch'ian family in the field of agriculture and forestry. The control of the nation's farm

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finance by holding the firm companies that plunder the peasants is a special feature of CC cliques bureaucratic capitalism.

Another feature of CC clique bureaucratic capitalism is the monopoly of newspapers and publishing. This feature arose out of the party affairs of the Ch'en Party in Chiang's Empire. Because the two Ch'ens undertook to handle party matters for the Kuomintang, newspapers and publication were under party dictatorship. Controlling the greatest propaganda organ of news in the entire country was the Central News Agency, which was directly in CC hands. In the newspaper field 400 papers published by the central and branch offices of the Kuomintang are in CC hands. Among them the Central Daily News and various Kuo-min dailies need not be mentioned; but even those which bear the appearance of popular newspapers such as the Shang-hai Shen Pao, Hsin Wen Pao, and the T'ien-ching and Ch'ung-ch'ing World Daily are also CC property. In the publishing field, the Chen-chung Book Company, the China Cultural Service Society, the Independent Publishing Company, the Easting Book Company, the Pa-ti Bookstore, and others, all belong to the CC. Even the Chung-hua Book Company and the Commercial Press cannot escape the range of CC power. The Chung-hua Book Company during the war fell into the hands of K'ung and the two Ch'ens. In the spring of 1946, at the time Wang Tzu-wu was drawn into political life by being made Minister of Economics, the Commercial Press was seized. In other cultural activities, the Farm Visual Education Company and the China Broadcasting Company were also organized by Ch'en Kuo-fu.

While the CC clique specializes in controlling rural finance and cultural activities, it is not without power in industry and commerce. Among the enterprises which the CC set up or backed with money in the interior during the war are: the Kua-chien Trading House, Kuo-hua Silk Company, Cotton Transport Company, Ta-hua Company, Ta-kung Iron Works, China Industrial and Mining Company, Great China Gas Transport Company, China Automobile Manufacturing Company, the China Food Company, etc. Among these the China Food Company and the Kuo-hua Silk Company were in partnership with K'ung. The Kuo-hua Silk Company was the CC clique's most profitable concern: it had branches in Cheng-tu and Kuei-lin, it stocked all sorts of goods and it used the San-t'ui Company and connections and its own cars for quick transportation, so it prospered greatly. After the war, the CC again took advantage of an occasion to plunder and created a monopolistic China Silk Company out of filatures in Central and East China which were recovered from the Japanese. At the same time they organized the ordinary silk industries in Shang-hai into a united silk export company. Among their private enterprises were the Pacific Industrial Company, the Sino-American Trading Company, the China Reconstruction Company, etc. The Pacific Industrial Company was financed by Ch'en Ch'i-pien; the China Reconstruction Company was bought from a leading merchant for 230 gold bars and some buildings.

While the family of the two Ch'ens had some money to start work, it could not be compared with old K'ung's family; nor do they have such foreign connections as T. V. Soong. Add to this their family background and their aggressive destruction is very savage, very cruel!

#### VI. POLITICAL SCIENCE CLIQUE

Besides the four great clans in the Kuomintang bureaucratic capitalism there is the political science clique. This clique arose in the early years of the Kuomintang. At that time the great warlord who contested with Yan Shih-k'ai was Ch'en Ch'un-hsien. Under his leadership a group of politicians organized a political study club. Fenc's members were Li Ken-yuan, Chang Yso-ts'eng, Yang Yung-t'ai, Chang Chun, Wu Tin-ch'eng, and others. When the Republican government was established in Nan-ch'ing, Yang Yung-t'ai first wished to obtain a membership in the Legislative Yuan, but was refused by

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Hu Han-min, who was appointed the President of the Yunnan. Then, upon the recommendation of Hsiung Shih-hui, he was appointed secretary of Chairman Chiang's Nan-chang field headquarters. Yang was a deep thinker and skillful talker. Before long he was highly respected by his associates, who obeyed his words and followed his plans; he became an object of attention from all sides. At this time Huang Pu was head of the North China Political Committee and became Foreign Minister; Huang Shao-hsiung became Minister of Interior; Chang Chun, Hsiung Shih-hui, Liu Chen-hua, Chen I, all held strategic posts, and the political science clique went on quite jauntily for a while. In 1936 Yang was assassinated. Huang Pu and Liu Chen-hua died, and the political science clique disappeared until the first part of the war. Chang Chun quietly took the place of Yang Yung-t'ai as leader; Hsiung Shih-hui, Wu Tin-ch'ang, Wong Wen-hao, Chen I, and others again held the important positions. In the postwar period, the clique's lustre was not at all diminished.

The four northern banks must be reckoned as the political science clique's economic base. Among these banks, the Chin-ch'ang Bank is one of the important projects of Wu Tin-ch'ang, present head of the civilian officials' bureau. The political science clique arranged for the Chin-ch'ang Bank to control the four northern banks. Before the four-bank two-bureau organization in the Kuomintang government was completed, the four northern banks were a "semi-official" monopolistic organization in Chinese financial circles. The organization had great power in the industrial and commercial finance of North China. Among the government-owned banks, Ch'ien Hsin-chih of the Bank of Communications was close to the political science clique; Chang Chia-ao of the Bank of China also had some latent power.

Wu Tin-ch'ang, Ch'en I, Wong Wen-hao, and others had some foundation in industry and mining. When Wu Tin-ch'ang was chairman of Kweichow Province, the political science clique extended its power over the Kweichow Enterprise Company. When Wong Wen-hao was Minister of Economics, the most important organization under that Ministry -- the Natural Resources Commission -- was also controlled by the political science clique; even until now the Natural Resources Commission is filled with political science stalwarts. When Ch'en I was administrative head of Taiwan, they were still more in the saddle. He excluded the Central Bank notes from the island and forced a par exchange between the sole Taiwan currency and the national currency. The enterprises left behind in Taiwan by the Japanese were still less able to escape the clique's clutches. The famous Taiwan Sugar Company was a big trust under Ch'en I's control, made up of 16 Japanese sugar companies. Besides, there were the Taiwan Petroleum Company, Taiwan Paper Company, Taiwan Fertilizer Company, Taiwan Soda Company, and others -- all controlled by Ch'en I.

In the publishing field, the well-known Ta Kung Pao is closely linked with political science clique. Wu Tin-ch'ang was one of the founders of this paper, and is in fact its backer. The political science clique's methods are far cleverer than those of K'ung, Seong, or the CC. Outwardly they are like executives and not like "bureaucratic capitalists." Herein lies their power to harm.

#### VII. IMPORTANCE OF THE FOUR GREAT CLANS

Thus far we can see that the development of bureaucratic capitalism in China has been approaching a climax in the four great clans of the Kuomintang. They have monopolized the national finances -- the four government-owned banks and two bureaus and a number of private banks. These clans monopolized import-export trade, taking the purchasing agencies into their own hands. They have seized all the government-financed industries and mines and taken

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possession of many profitable private factories. They hold huge amounts of urban land, farm land, and buildings (they have voted through land-rent and high-interest lending for draining the peasantry of its blood). They have monopolized all the nation's newspapers, broadcasting, and publishing; they have exercised thought-control, hoping by this to have monopoly over the nation's brains. In this framework, their original social basis in the wealthy of Kiangsu and Chekiang has been, on the contrary, trampled on by these clans. At one time, local capitalists who dared oppose them — such as Li and Pai of Kwangsi, Liu, Teng, and P'an of Szechwan, Lung Yün of Yunnan — have sooner or later pleaded for release after being pummeled by the iron fists of the four great clans.

The high officials of the final Manchu days who opened up big banks and industries for China — such as Li Kung-chang, Chang Chih-tung and Sheng Hsuan-huai — although, while rising to power, made factories and mines to serve as official quarters, they nevertheless operated each in a limited field, and of course monopoly was out of the question. Did not the Yuan Shih-k'ai who became emperor enjoy "prestige" for a generation? But his decrees could not touch the Bank of China and Bank of Communications in Shanghai (his decrees wanting the two banks to stop cashing was opposed by Sung Han-chang and others); still less could monopoly of finance, trade, industry and mining, agriculture, and publishing be spoken of. The communications clique knew how to seize government banks and control finance. But, while they held two or three banks, compared to the four great clans they are not to be counted.

The four great clans of the Kuomintang have crushed everything in the past several decades and all in the present. The monopolistic capital of the four great clans is unprecedented in China. There is no bureaucratic capital which can be compared with them in the past or in the present. The bloody rule of the past 20 years and the cruel plundering of the people for the last 20 years has made them "become the greatest blood-sucking plutocratic tycoons in all Chinese history, unequalled by any emperors, who in fact are left far behind." But the fatter they get, the more corrupt they become, and the nearer they get to their graves. Looking at the growing strength of the Chinese people, the development of the new democracy, and the repeated military and economic failures of those in power, we believe that this rotten, feudal, compradore, unpopular rule cannot long abide, no matter how perverse, or how cruel. China belongs to the people as a whole; China is a democratic new China of the new democracy. It certainly must sweep out clean all the accumulated compradore rubbish of past feudalism. It certainly must destroy the compradore system and feudal system with its impure blood. The bureaucratic capitalism of the four great clans must not be allowed to exist in China.

Therefore, the bureaucratic capital of the four great clans not only is a monopolistic group unprecedented in modern Chinese history, but also one that can never exist again.

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